

**ENGINEERING DIRECTIVES AND STANDARDS**

Volume : II                      Effective Date :  
Chapter : 5                      Revision Date : 07/21/1976  
Section : 1                      Subject : **THIRD PARTY CONTRACT ADMINISTRATION**  
Directive : 1

1. **PURPOSE.** To establish standard policy in reviewing and administering Third Party Contracts.
2. **SCOPE.** This directive covers contracts for Engineering and Environmental professional services.
3. **PROCEDURE.** The procedures for consultant selection, evaluation, and monitoring of the work as outlined in (1) Director's PPM-21, revised April 26, 1972, (2) the Manual of Instructions for Preparation of Engineering Proposals, and (3) instruction contained herein, shall apply and be used in all proposals where Federal funds are involved. These include Urban System and other Federal projects involving cities and other municipalities. Approvals will be in accordance with the attached flow diagram.
  - a. The Review Committees membership for proposal evaluation will be composed of but not limited to the following personnel:
    - (1) Engineering, Design: Chief Location and Design Engineer, Chairman Project Control Engineer Internal Auditor Representative of the Federal Highway Administration on special projects
    - (2) Engineering, Traffic and Planning: Traffic and Planning Engineer, Chairman Project Control Engineer Internal Auditor Representative of the Federal Highway Administration on special projects
    - (3) Engineering, Research and Development: Research and Development Engineer, Coordinator (For procedures covering Research and Development contracts, see the Research and Development Manual.)
    - (4) Other: As appointed and directed by the Assistant Director of Highways EDSM NO. 11.5.11

Additional members may be added as the Chairman deems necessary.

General functions of the Committee are outlined as follows in Sections 4, 5, and 6.

- b. In the Urban System and other Federal programs involving city and parish agencies, the respective cities and parishes will utilize the same consultant selection procedures as followed by the Louisiana Department of Highways. The record of the selection procedures will be forwarded to the appropriate office for distribution and further evaluation. The selected consultant and representative of the city or parish involved will meet so that the scope of the work may be defined to the consultant. The consultant will then submit his proposal, prepared in accordance with the Manual of Instructions, to the city or parish involved for their evaluation and further recommendations to the Department. The Department's review team will be assigned the task of reviewing the proposal and meeting with the appropriate chairman to evaluate same. If the proposal requires modifications in the Department's opinion, the city will be so advised. If the proposal appears to be in order, it will be forwarded to the Federal Highway Administration for their comments and/or approval in accord with established procedures.
- c. The technical review of a proposal submitted to the Department will be accomplished in the following steps.
  - (1) The proposal when received will be distributed by the chairman, together with all attachments to the following:
    - (a) Project Control Engineer
    - (b) Section Heads, as involved
    - (c) Federal Highway Administration representative on special projects as determined by the chairman
    - (d) Others as may be decided in consultation with the chairman.
    - (e) Internal Auditor.

Distribution of a proposal is a request for appropriate action.

- (2) The personnel as listed in c-I will be responsible for analyzing their specific areas as to the correctness and/or reasonableness of man-hours of effort, overall times of completion of the various phases, rates of pay relative to work to be performed, personnel to be assigned, direct costs, etc.
- (3) At the time appointed by the responsible chairman, the personnel as set forth in c-I will meet to discuss in detail the entire proposal as to its technical acceptability. At this meeting, the section heads responsible for the review of the various phases will make specific recommendations as to the correctness, reasonableness, and acceptability of the individual phases.
- (4) The technical review will be combined with the Internal Auditor's reports as set forth in d and e to determine whether the proposal as recommended by the Review Committee and expanded by the Auditor's reports is reasonable.
- (5) If no changes are recommended and the proposal is reasonable, it will be forwarded to the Assistant Chief Engineer, the Chief Engineer, and the Assistant Director. The Assistant Director will forward the approved proposal to the Project Control Engineer for processing of contract documents.
- (6) If changes have been recommended, the consultant will be notified. If he is in agreement with the changes, he will submit a new proposal if it is felt necessary. The corrected proposal or the newly submitted proposal will be forwarded as changed to the Assistant Chief Engineer, the Chief Engineer, and the Assistant Director. The Assistant Director will forward the approved proposal to the Project Control Engineer for processing of contract documents.

If the consultant is not in agreement with the changes, he may be invited to meet with the Review Committee if the chairman deems it desirable to try to negotiate the differences.

If a mutual agreement is reached, then the consultant will submit a new proposal if it is deemed necessary. If agreement can not be reached, a new consultant will be selected in accordance with the Director's PPM- 21.

- (7) Steps 4-a through 4-f may be repeated as many times as necessary as directed by the chairman of the appropriate Review Committee.
- d. As a part of the proposal evaluation, the Internal Audit Section representative, who is a part of the Review Committee, will determine the correctness of the audit assurance furnished to the Department, prepared in accordance with the Federal-Aid Program Manual, Volume 1, Chapter 7, Section 2.
  - e. Pre-audits, when required, will be made by the Internal Auditing Section or by an independent certified public accountant, as set forth in Paragraph 2.20 of the Manual of Instructions, to determine the following information:
    - (1) Whether the proposed costs are allowable in accordance with the Federal Procurement Regulations.
    - (2) Set forth the basis and methods used in estimating costs of labor, other consulting costs, materials, supplies, and other elements.
    - (3) Set forth the last previous years percentage rates for indirect costs along with the rates currently being used.
    - (4) Determine whether the consultant's accounting system will adequately identify and accumulate agreement cost where cost type agreements are proposed.
    - (5) Include appropriate statements of the consultant's financial capabilities.
  - f. Monitoring of contracts in progress will be conducted in the following manner.
    - (1) Technical monitoring will be in accordance with the contract provisions. In addition, those contracts handled by the Design Sections will specifically cover the items set forth in Paragraphs 7-b, 7-c, 7-d, and 7-f.
    - (2) Survey:
      - (a) A regular weekly survey status report shall be received by the Department on special forms provided by the Department.

- (b) Copy of letter from consultant to Headquarters Utility Engineer giving names of utility companies affected by the project.
  - (c) A field check of utility location work procedure shall be made.
  - (d) Copy of letter from consultant to District Utility Representative furnishing completed utility forms 10-006 and asking for comments.
  - (e) At least one physical check of the work will be made at approximately sixty percent of the completed survey.
  - (f) Office check of completed location survey data for conformance with Location and Survey Manual.
- (3) Right-of-Way Map:
- (a) A monthly status report shall be required (may be in conjunction with roadway and/or bridge plans)
  - (b) An invoice of more than approximately sixty percent of contract amount will not be processed without the format check and an invoice of more than approximately ninety percent of contract amount will not be processed until final right-of-way map is checked.
- (4) Roadway/Bridge Plans
- (a) On projects requiring special design criteria, this will be completed prior to starting work on plans.
  - (b) A typical section review shall be made prior to starting other work on the project.
  - (c) For bridge work the hydraulic report will be completed prior to the general plan.
  - (d) A drainage design conference will be held prior to preliminary plans being twenty-five percent complete.
  - (e) No more than approximately sixty percent of contract amount for preliminary plans shall be paid without a physical inspection of work that has been accomplished. The following items shall be completed prior to the sixty percent check point.
    - (1) Title work submitted.
    - (2) Typical section design request.
    - (3) Bridge general plan request (if applicable)
    - (4) Geometric review.
    - (5) Drainage review by the Department.
  - (f) A set of plan-in-hand prints shall be checked and. approved for plan-in-hand prior to terminating plan-in-hand inspection.
  - (g) Final typical sections shall be submitted for approval as a first order of business after starting work on final plans.
  - (h) No more than approximately twenty percent of the contract amount for final plans shall be processed without receiving final right-of-way requirements.
    - (1) Final drainage design write up shall be submitted for approval by the time progress has reached sixty percent of final plan completion. No more than sixty percent of the contract amount for final plans shall be paid without a physical check of work accomplished.
  - (j) The first submittal of advance check prints shall be made prior to payment of more than ninety-five percent of the contract amount.
- (5) Environmental:

- (a) A technical meeting will be held prior to the consultant beginning the actual writing of the Draft Negative, Draft EIS or Draft Assessment for permit. At this meeting the consultant should be prepared to discuss his data sources, preliminary analysis and plans for developing the document. The consultant shall contact the Department to request a technical review meeting at any time he feels the need of such a meeting but in no case shall he exceed sixty percent of the actual writing of any of the above documents before contacting the Department requesting such a technical review meeting.
- (b) Meeting(s) will be held after submittal of the first advance review copies of environmental documents and after subsequent submittals as deemed necessary by the Department.
- (6) Upon a physical inspection, should for any reason, the value of work accomplished be less than the invoice paid, a written report shall be required from the consulting firm immediately.

After the Department finds that the consultant has satisfactorily completed the work as set forth in the contract, a post audit, when required, will be made to determine the following:

a. General

- (1) Review of the contract, progress and/or final cost statements, and pertinent external and internal information on contract performance (i.e., inspection reports, project diaries, etc.). Check of cost documents for mathematical accuracy, as appropriate.
- (2) Comparison of contract costs with proposal, contract estimate, bid document and/or other related financial data.
- (3) Review of prior audit working papers and permanent audit files and note areas of weakness. Comparison of contract costs with available cost data in these files and note all significant changes. etc.

b. Material (Including Equipment)

- (1) Comparison of contract charges with summary cost records, bills of material, work orders, receiving and issuing documents and/or similar records as necessary to evaluate pricing and composition of material charges.
- (2) Review of payment procedures to determine that invoices are supported by and in agreement with authorized purchase orders, receiving and inspection reports, and the like. A similar review of materials requisitioned from inventory should be considered.
- (3) Verification of selected transactions as necessary to determine that source documents are mathematically correct, noted as to verification of extensions and footings, properly authenticated and show correct account distribution.

c. Direct Labor

- (1) Review and evaluation of periodic reconciliations performed between the personnel and payroll departments and the methods used for reconciling overall payments to labor cost distribution records.
- (2) Verification of payroll totals (dollars and hours) to labor cost distribution records and determine the accuracy of names, rates, hours, extensions, etc.
- (3) Selective tests of labor cost distribution records by examination of time reports and related documents to determine whether employee pay rates are commensurate with the type of work being performed and whether the costs charged to the contract are allocable, reasonable, and applicable to the contract.

d. Contract Administration

- (1) Review and evaluation of the contractor's contract administration procedures and controls, including determinations as to the feasibility of obtaining outside services, prequalification of contractors or subcontractors, advertising and bidding procedures.
- (2) Selective tests and analyses of contract or subcontract costs to determine adequacy of procedures and controls and to evaluate compliance with State and Federal regulations.

e. Overhead

- (1) Study of the contractor's indirect costs activity, including the bases used for allocation and the costs to be allocated, to determine whether the base chosen is appropriate for cost allocation and results in a reasonable distribution.
- (2) Review of the composition of the various overhead. pools to ascertain whether they are logical and bear a reasonable relationship to the bases used for apportioning expenses to operations.
- (3) Selection of specific overhead accounts, based on significance and sensitivity, for review, analysis and test to determine the reasonableness and allowability of costs.

Any major weaknesses or non-compliance with contract provisions will be reported in writing to the Assistant Chief Engineer.

4. **EFFECTIVE.** This policy will be effective immediately on receipt.

DEMPSEY D. WHITE  
DOTD CHIEF ENGINEER

ENGINEER~NC DIRECTIVES AND STANDARDS M~UAL

VOLUME II

DATE JULY 21, 1976

CHAPTER 5

SUBJECT Third Party Contract

SECTION 1

Administration

DIRECTIVE 1

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Project Control Engineer  
Internal Auditor  
Representative of the Federal Highway Administration on special projects
    - (2) Engineering, Traffic and Planning:  
Traffic and Planning Engineer, Chairman  
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Research and Development Engineer, Coordinator (For procedures covering Research and Development contracts, see the Research and Development Manual.)
    - (4) Other:  
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Additional members may be added as the Chairman deems necessary.

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- (1) The proposal when received will be distributed by the chairman, together with all attachments to the following:
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If a mutual agreement is reached, then the consultant will submit a new proposal if it is deemed necessary. If agreement can not be reached, a new consultant will be selected in accordance with the Director's PPM— 21.

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f. Monitoring of contracts in progress will be conducted in the following manner.

(1) Technical monitoring will be in accordance with the contract provisions. In addition, those contracts handled by the Design Sections will specifically cover the items set forth in Paragraphs 7-b, 7-c, 7-d, and 7-f.

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(2) Survey:

(a) A regular weekly survey status report shall be received by the Department on special forms provided by the Department.

(b) Copy of letter from consultant to Headquarters Utility Engineer giving names of utility companies affected by the project.



- (c) A field check of utility location work procedure shall be made.
- (d) Copy of letter from consultant to District Utility Representative furnishing completed utility forms 10-006 and asking for comments.
- (e) At least one physical check of the work will be made at approximately sixty percent of the completed survey.
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  - (a) On projects requiring special design criteria, this will be completed prior to starting work on plans.
  - (b) A typical section review shall be made prior to starting other work on the project.

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- (C) For bridge work the hydraulic report will be completed prior to the general plan.
- (d) A drainage design conference will be held prior to preliminary plans being twenty—five percent complete.
- (e) No more than approximately sixty percent of contract amount for preliminary plans shall be paid without a physical inspection of work that has been accomplished. The following items shall be completed prior to the sixty percent check point.
  - (1) Title work submitted.
  - (2) Typical section design request.
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- (j) The first submittal of advance check prints shall be made prior to payment of more than ninety-five percent of the contract amount.

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(5) Environmental:

- (a) A technical meeting will be held prior to the consultant beginning the actual writing of the Draft Negative, Draft EIS or Draft Assessment for permit. At this meeting the consultant should be prepared to discuss his data sources, preliminary analysis and plans for developing the document. The consultant shall contact the Department to request a technical review meeting at any time he feels the need of such a meeting but in no case shall he exceed sixty percent of the actual writing of any of the above documents before contacting the Department requesting such a technical review meeting.
- (b) Meeting(s) will be held after submittal of the first advance review copies of environmental documents and after subsequent submittals as deemed necessary by the Department.
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After the Department finds that the consultant has satisfactorily completed the work as set forth in the contract, a post audit, when required, will be made to determine the following:

a. General

- (1) Review of the contract, progress and/or final cost statements, and pertinent external and internal information on contract performance (i.e., inspection reports, project diaries, etc.). Check of cost documents for mathematical accuracy, as appropriate.
- (2) Comparison of contract costs with proposal, contract estimate, bid document and/or other related financial data.
- (3) Review of prior audit working papers and permanent audit files and note areas of weakness. Comparison of contract costs with available cost data in these files and note all significant changes.

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b. Material (Including Equipment)

- (1) Comparison of contract charges with summary cost records, bills of material, work orders, receiving and issuing documents and/or similar records as necessary to evaluate pricing and composition of material charges.

(2) Review of payment procedures to determine that invoices are supported by and in agreement with authorized purchase orders, receiving and inspection reports, and the like. A similar review of materials requisitioned from inventory should be considered.

(3) Verification of selected transactions as necessary to determine that source documents are mathematically correct, noted as to verification of extensions and footings, properly authenticated and show correct account distribution.

C. Direct Labor

(1) Review and evaluation of periodic reconciliations performed between the personnel and payroll departments and the methods used for reconciling overall payments to labor cost distribution records.

(2) Verification of payroll totals (dollars and hours) to labor cost distribution records and determine the accuracy of names, rates, hours, extensions, etc.

(3) Selective tests of labor cost distribution records by examination of time reports and related documents to determine whether employee pay rates are commensurate with the type of work being performed and whether the costs charged to the contract are allocable, reasonable, and applicable to the contract.

d. Contract Administration

(1) Review and evaluation of the contractor's contract administration procedures and controls, including determinations as to the feasibility of obtaining outside services, prequalification of contractors or subcontractors, advertising and bidding procedures,

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(2) Selective tests and analyses of contract or subcontract costs to determine adequacy of procedures and controls and to evaluate compliance with State and Federal regulations.

e. Overhead

(1) Study of the contractor's indirect costs activity, including the bases used for allocation and the costs to be allocated, to determine whether the base chosen is appropriate for cost allocation and results in a reasonable distribution.

(2) Review of the composition of the various overhead. pools to ascertain whether they are logical and bear a reasonable relationship to the bases used for apportioning expenses to operations.

(3) Selection of specific overhead accounts, based on significance and sensitivity, for review, analysis and test to determine the reasonableness and allowability of costs.

Any major weaknesses or non—compliance with contract provisions will be reported in writing to the Assistant Chief Engineer.

4. EFFECTIVE. This policy will be effective immediately on receipt.

DEMPSE D. WHITE  
CHIEF ENGINEER